

Message Text

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PAGE 01 EC BRU 02657 251918Z

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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DEPARTMENT PASS TO TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EC COMMISSION DELAYS CONSIDERATION OF PROPOSED CONTACT
COMMITTEE OF EC CENTRAL BANK OFFICIALS

REFS: A. EC BRUSSELS 10129, 12/23/74

B. EC BRUSSELS 9970, 12/17/74

C. EC-A-391, 12/18/74

1. SUMMARY: AFTER CONSULTATIONS WITH THE EC CENTRAL BANKERS' COMMITTEE, THE EC COMMISSION HAS DECIDED TO HOLD IN ABEYANCE ITS PROPOSAL TO ESTABLISH A CONTACT COMMITTEE OF EC CENTRAL BANK REGULATORY OFFICIALS. THE COMMISSION DECIDED PUSHING AHEAD WITH THIS PROPOSAL AT THIS TIME COULD JEOPARDIZE ITS PROPOSED UMBRELLA DIRECTIVE TO REGULATE EC CREDIT INSTITUTIONS. COMMISSION OFFICIALS ARE HOPEFUL, HOWEVER, THAT BY MID-SUMMER AN UMBRELLA DIRECTIVE WILL BE ADOPTED WHICH WOULD AUTHORIZE THE ESTABLISHMENT OF THE CONTACT COMMITTEE. END SUMMARY.

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PAGE 02 EC BRU 02657 251918Z

2. EC COMMISSION OFFICIALS INFORM US THAT THE COMMISSION HAS DETERMINED NOT TO SEEK THE EC FINANCE COUNCIL'S DECISION AT THIS TIME TO ESTABLISH AN EC CONTACT COMMITTEE. THIS COMMITTEE WOULD BE COMPOSED OF CENTRAL BANK OFFICIALS WHO ARE RESPONSIBLE FOR THE SUPERVISION OF CREDIT INSTITUTIONS (SEE REFS). THE COMMISSION HAD PROPOSED TO THE EC COUNCIL ON DECEMBER 11 THAT SUCH A COMMITTEE BE ESTABLISHED ON AN URGENT BASIS. COMMISSIONER SIMONET DISCUSSED THE PROPOSAL WITH THE EC CENTRAL BANKERS' COMMITTEE IN BASEL ON MARCH 11. THE COMMITTEE REPORTEDLY THOUGHT THIS PROPOSAL WAS UNNECESSARY BECAUSE THE G-10 CENTRAL BANKERS HAD ESTABLISHED AN EXPERT GROUP -- THE BLUNDEN COMMITTEE - WHOSE WORK WOULD OVERLAP WITH THE CONTACT COMMITTEE'S INVESTIGATION OF FOREIGN EXCHANGE OPERATIONS. IN ADDITION, THE EC CENTRAL BANKERS HAVE FORMED AN INFORMAL GROUP -- THE DONDELINIER COMMITTEE -- WHOSE FUNCTIONS WOULD ALSO IN PART OVERLAP WITH THE CONTACT GROUP.

3. COMMISSION OFFICIALS ARE NOT SATISFIED WITH THE EXISTING COMMITTEE'S ARRANGEMENTS TO COORDINATE MONETARY MATTERS. IRELAND AND DENMARK DO NOT PARTICIPATE IN THE G-10 MEETINGS AND THE COMMISSION IS NOT INCLUDED IN THE AD HOC DONDELINIER COMMITTEE. IN ADDITION, COMMISSION OFFICIALS DESCRIBE THE ACTIVITIES OF THESE COMMITTEES AS PRIMARILY AN EXCHANGE OF VIEWS AND INFORMATION. THE CONTACT COMMITTEE, ON THE OTHER HAND, WOULD BE ORIENTED TOWARD OBTAINING AGREEMENT ON WAYS TO COORDINATE CONTROL OVER EC CREDIT INSTITUTIONS. ITS EVENTUAL OBJECTIVE WOULD BE TO PREPARE A SERIES OF EC DIRECTIVES TO REGULATE EC BANKING ACTIVITIES.

4. THE FINANCE COUNCIL'S DISCUSSIONS INDICATED, HOWEVER, THAT THERE IS LITTLE SUPPORT FOR THIS PROPOSAL, ESPECIALLY THE IDEA THAT THE CONTACT COMMITTEE SHOULD LOOK INTO FOREIGN EXCHANGE AND EURO-MARKET OPERATIONS ON AN URGENT BASIS. THE UK REPORTEDLY WAS PARTICULARLY ADAMANT IN OPPOSING THIS IDEA. THE CONTACT COMMITTEE LIMITED OFFICIAL USE

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PAGE 03 EC BRU 02657 251918Z

WOULD BE AN IMPORTANT PART OF THE DRAFT UMBRELLA DIRECTIVE TO HARMONIZE EC BANKING REGULATIONS (SEE REF C). THE COMMISSION DID NOT WANT TO RISK DEFEAT OF THIS UMBRELLA DIRECTIVE BY PUSHING FOR A DECISION NOW ON THE CONTACT COMMITTEE.

5. DESPITE OPPOSITION TO THE CONTACT COMMITTEE BEING SET UP URGENTLY, THE EC CENTRAL BANK GOVERNORS ARE, HOWEVER,

ACCORDING TO THE COMMISSION, GENERALLY IN FAVOR OF THE ADOPTION OF THE UMBRELLA DIRECTIVE. PERM REP SOURCES CONFIRM THIS. BRITISH OFFICIALS HERE TELL US THAT THE UK TAKES THE SAME POSITION. COMMISSION OFFICIALS SAY THERE IS STILL OPPOSITION, HOWEVER, TO THE UMBRELLA DIRECTIVE AMONG SOME TOP OFFICIALS OF THE MEMBER STATES. GERMAN OFFICIALS, FOR EXAMPLE, WOULD PREFER A MORE COMPREHENSIVE AND BINDING DIRECTIVE THAN THE ONE PROPOSED. THE COMMISSION PLANS TO HOLD A SERIES OF EXPERT GROUP MEETING WITHIN THE EC COUNCIL TO DISCUSS THE UMBRELLA DIRECTIVE. IT HOPES TO RESOLVE THE EXISTING DIFFERENCES SO THAT THE DIRECTIVE CAN BE ADOPTED BY MID-SUMMER.

6. IF THE UMBRELLA DIRECTIVE IS ADOPTED, THE CONTACT COMMITTEE WOULD THEN BE ESTABLISHED WITH AUTHORITY TO EXAMINE THE CONTROL OF SOLVENCY AND LIQUIDITY OF EC CREDIT INSTITUTIONS. IT WOULD NOT, HOWEVER, HAVE SPECIFIC AUTHORITY TO CONSIDER URGENTLY EURO-MARKET AND FOREIGN EXCHANGE OPERATIONS.

7. COMMENT: THE COMMISSION HAS BEEN RATHER INEPT IN HANDLING ITS PROPOSAL TO ESTABLISH URGENTLY THE CONTACT COMMITTEE. IT SUBMITTED TO THE FINANCE COUNCIL AT THE SAME TIME A PROPOSAL TO STRENGTHEN THE EUROPEAN MONETARY COOPERATION FUND (EMCF). THE FINANCE MINISTERS HAD DIFFICULTY IN DISTINGUISHING BETWEEN THE PURPOSES OF THE TWO PROPOSALS. THE ADDITIONAL OBJECTIONS BY THE MONETARY COMMITTEE AND CENTRAL BANKERS' COMMITTEES AND THE UK PERSUADED THE COMMISSION TO BEAT A HASTY RETREAT AND TO AVOID THE LIKEHOOD OF A NEGATIVE RESPONSE FROM THE COUNCIL. LIMITED OFFICIAL USE

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PAGE 04 EC BRU 02657 251918Z

END COMMENT.GREENWALD

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